

KIAWAH ISLAND UTILITY, INC.

DOCKET NO. 2001-164-W/S

PRE-FILED REPLY TESTIMONY OF TOWNSEND P. CLARKSON

BEFORE THE SOUTH CAROLINA PUBLIC SERVICE COMMISSION

Testimony Prepared: March 8, 2002

Hearing Date: March 13, 2002

THIS TESTIMONY IS FILED PURSUANT TO PSC ORDER DATED JANUARY 15, 2002. THE APPLICANT RESERVES THE RIGHT TO SUPPLEMENT THIS TESTIMONY IN RESPONSE TO THE SURREPLY TESTIMONY THAT MAY BE PRE-FILED BY THE COMMISSION STAFF AND INTERVENORS.

**MR. WALKER:** Mr. Clarkson, does the Utility purchase the distribution lines for water and sewer service?

**MR. CLARKSON:** No. They are transferred to the Utility by KRA after construction at no cost to the Utility.

**MR. WALKER:** Are these distribution lines an integral part of the Utility's physical facilities system?

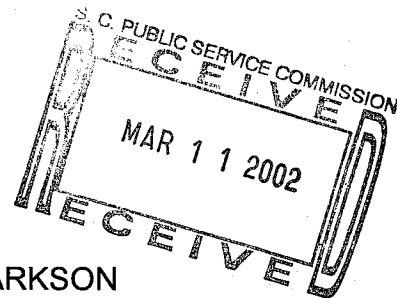
**MR. CLARKSON:** Yes.

**MR. WALKER:** Are these assets on the books of the Utility?

**MR. CLARKSON:** No.

**MR. WALKER:** Did the Utility track the value of these donated lines for the period of 1992 through October 1996?

**MR. CLARKSON:** Yes. The construction cost of the distribution lines donated for that period alone was \$1,517,650. At the end of the test year (2000) that amount was \$3,460,000.



**MR. WALKER:** Do you have any comments on the Staff's adjustment of the management fee?

**MR. CLARKSON:** Yes. Overall, the Staff did not consider all the benefits and services provided by KRA. Specifically, as to the hours recognized by the Staff, the hours recognized did not include the time devoted to the Utility by the partners who expended time on behalf of the Utility. The dollar value attributed to the hours allowed by the Commission Staff in analyzing the management fee appears to have included most of the payroll benefits but did not include any of the fixed or variable overhead expenses for these employees.

END OF REPLY TESTIMONY